LOS ANGELES CITY

EMPLOYEES' RETIREMENT SYSTEM

JUNE 30, 2006

ALTERNATIVE INVESTMENT REVIEW

HAMILTON LANE

GSB BUILDING
ONE BELMONT AVENUE, 9TH FLOOR
BALA CYNWYD, PA 19004
TELEPHONE: (610) 934-2222
FAX: (610) 617-9855
WWW.HAMILTONLANE.COM

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PORTFOLIO OVERVIEW

Hamilton Lane was engaged by the Los Angeles City Employees' Retirement System ("LACERS") in January 2005 to select new investments, monitor, and provide advice in accordance with the investment objectives for the alternative portfolio (the "Portfolio") of LACERS. This report represents the review by Hamilton Lane of LACERS' portfolio investments as of June 30, 2006, *with highlights through September 30, 2006.*

In the third quarter of 2006, the Portfolio closed on six new commitments totaling approximately $109 million. The following are descriptions of these new investments:

Acon-Bastion Partners II ($5 million) will complete investments in the middle-market buyouts of U.S. Hispanic owned or operated companies operating in the financial services, media & entertainment, multi-unit retail, education & training, food & consumer products and healthcare services sectors.

First Reserve Fund XI ($30 million) will typically pursue control investments of $50 million to $500 million in middle-market energy companies with enterprise values of $100 million to $4 billion. The fund invests across a wide spectrum of sub-sectors within the energy industry including energy infrastructure and power, manufacturing and services, and energy reserves.

KKR 2006 Fund ($30 million) will engage in large buyout transactions requiring between $150 million and $500 million in equity for each investment. The fund will invest in several sectors: financial services, retail, technology, media, energy and natural resources, healthcare, consumer products, industrials, and chemical.

Lindsay Goldberg & Bessemer II ($20 million) will seek significant capital appreciation through control equity positions in companies in traditional, established industries where relationships are critical, including closely-held businesses, family-owned enterprises, and entrepreneurs seeking capital for growth or recapitalizations.

Permira Europe IV (€11 million or $13.8 million at closing) will complete control-oriented buyout investments in large companies based in Europe and, to a lesser extent, in the United States and Asia. The majority of portfolio companies will have enterprise values in excess of €500 million and will be large, established companies with potential for performance improvements and/or significant growth. Target sectors include the Consumer, TMT, Chemicals, and Industrial Products & Services.

TCW/Crescent Mezzanine Partners IV ($10 million) will invest in mezzanine financing in middle market companies that have between $20 million and $50 million in EBITDA. The fund will allocate approximately 70% of total commitments to North America and 30% to Western Europe. Investments will be diversified with respect to sector.

As of June 30, 2006, the Portfolio managed by Hamilton Lane consisted of:

- Active partnerships: 80
- Commitments since inception: $1,129.4 million
- Paid-in capital since inception: $741.8 million (66% of total commitments)
- Distributions: $479.1 million (65% of the paid-in capital)
- Net invested capital: $262.8 million
- Market value: $523.9 million
- Total value multiple: 1.4x

PERFORMANCE ASSESSMENT

As of June 30, 2006 the Portfolio has generated a since inception Internal Rate of Return ("IRR") of 11.66%. This represents an increase of 210 basis points over the prior year. The strong returns were precipitated by the net value change over the period illustrated below. The net change in value incorporates both the net cash flow for the Portfolio as well as any unrealized appreciation in the partnership's underlying holdings. The Portfolio was cash flow negative over the period, this is an indication of the relative youth of the Portfolio, with a weighted average age of 4.3 years. As newer investments in the Portfolio mature they will begin to generate positive cash flow.

PORTFOLIO PERFORMANCE SUMMARY FOR THE YEAR ENDED JUNE 30, 2006 ($ Millions)		
		IRR
Market Value 06-30-2005	$402.70	9.56%
Paid-In Capital	$151.63	
Distributions	$130.49	
Market Value 06-30-2006	$523.92	11.66%
Net Change in Value	$100.08	
Point-to-Point IRR		24.69%

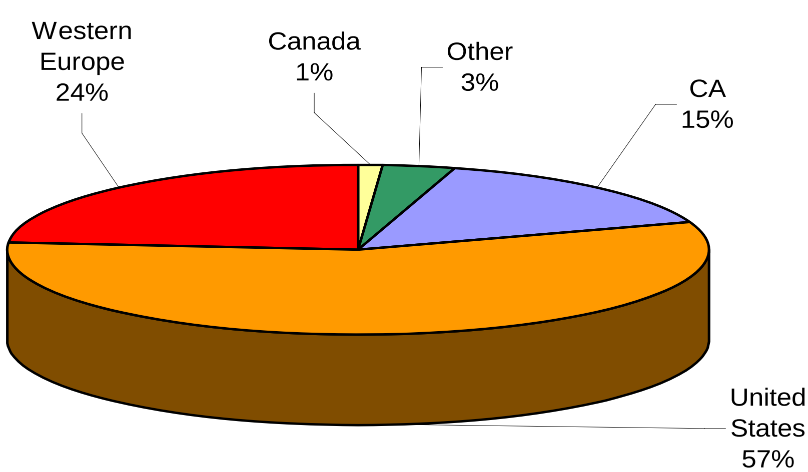
The chart on the following page highlights the top ten performing partnerships in terms of IRR for the twelve month period ended June 30, 2006. TPG Partners III, L.P. and Nautic Partners V, L.P. have both generated strong returns over the period. TPG Partners III's return is due to its distributed capital to paid-in multiple, as the fund returned 9.7x of the amount that was called from investors for the year. Over the same period, Nautic Partners V, L.P. distributed $5.0 million. Also of note is Levine Leichtman Partners III, L.P., whose portfolio investments have appreciated significantly since June of 2005.

Top 10 Investments by IRR For the Year Ended June 30, 2006	
Investment Name	**IRR**
1.TPG Partners III, L.P.	113.52%
2. Nautic Partners V, L.P.	69.34%
3. Alchemy Investment Plan (LACERS)	67.94%
4. InterWest Partners VI, L.P.	67.80%
5. CVC European Equity Partners III, L.P.	65.45%
6. Nordic Capital V, L.P.	59.25%
7. Levine Leichtman Capital Partners III, L.P.	53.04%
8. TPG Partners IV, L.P.	46.64%
9. Permira Europe III, L.P.	44.60%
10. Golder, Thoma, Cressey & Rauner Fund V, LP	42.10%

PORTFOLIO ANALYTICS

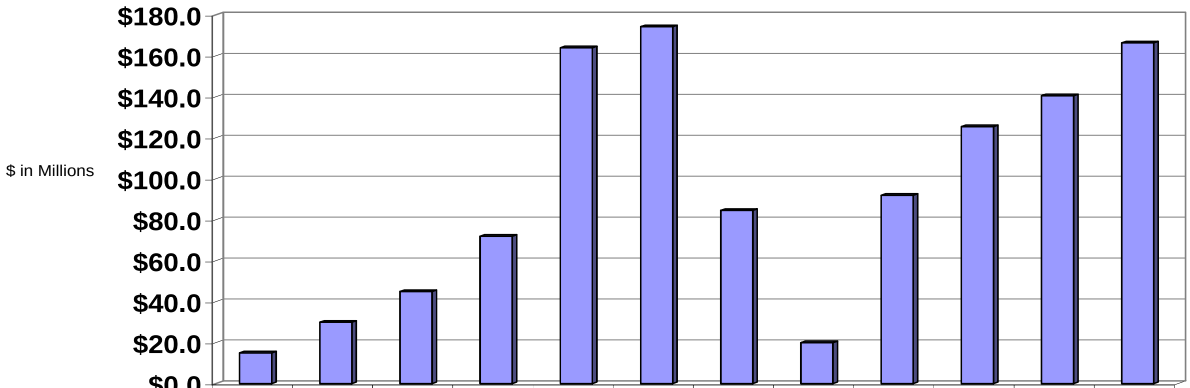
The chart below illustrates the Portfolio's underlying geographic diversification by exposed market value. This lends insight into LACERS' investment by geographic focus.

Underlying Investment Diversification by Exposed Market Value



- The Portfolio remains highly concentrated in North American investments with exposed market value of 73% of the portfolio.
    - LACERS' portfolio is further concentrated in California, as 15% the portfolio is invested there, with 16 underlying companies that have a total market value of $17.6 million residing in the greater Los Angeles area.

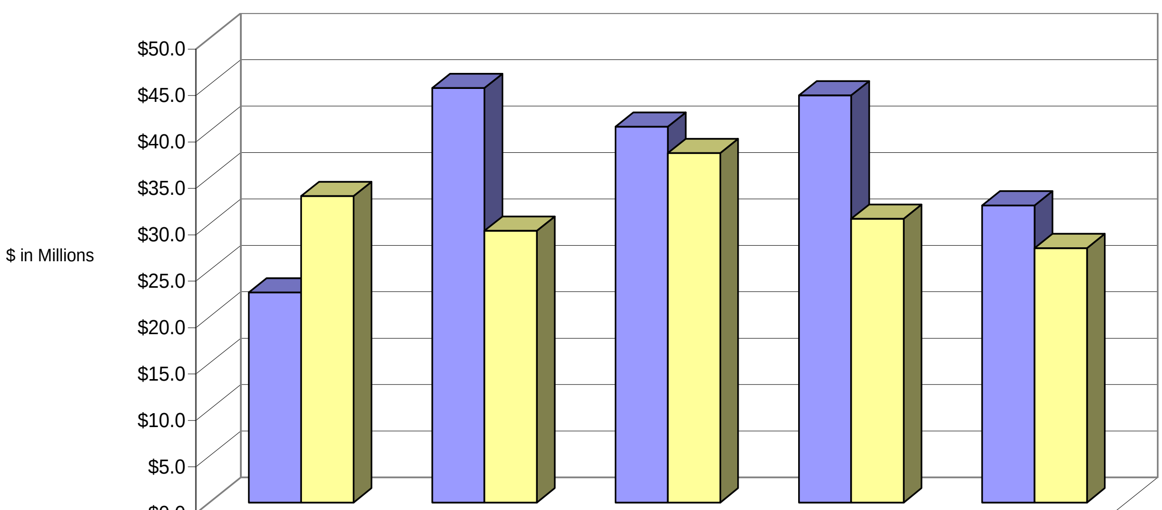
The chart below shows LACERS' commitments by vintage year from inception.



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Commitments	$15.0	$30.0	$45.0	$72.0	$164.0	$174.3	$84.6	$20.0	$92.0	$125.5	$140.6	$166.4

- 30% of the Portfolio's aggregate commitments were made in vintage years 1999 and 2000.
    - The partnerships that were committed to in 1999 and 2000, such as Nautic Partners V, L.P. and TPG Partners III, L.P, have returned much of the capital driving the Portfolio's return.

CASH FLOW ANALYSIS



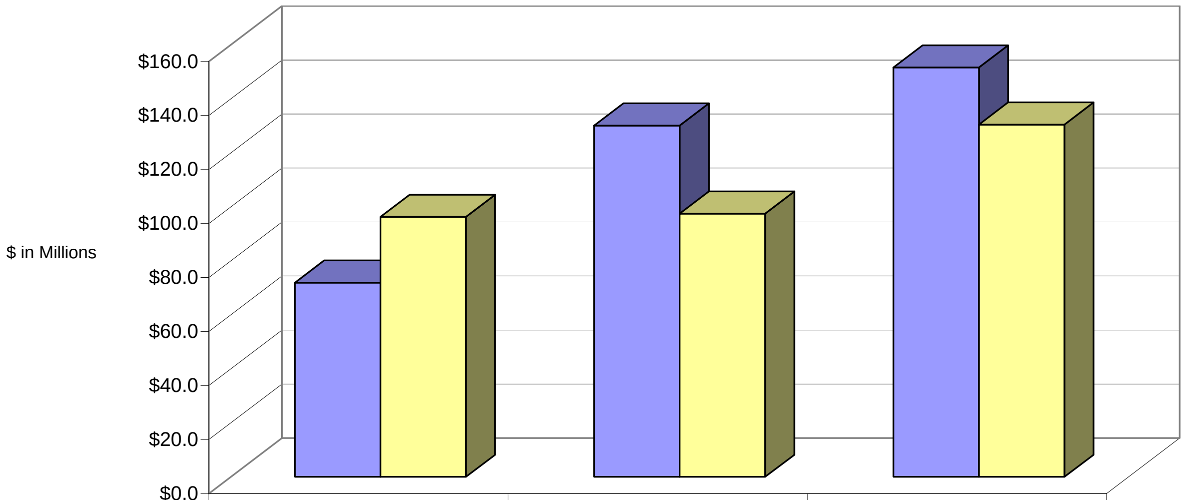
	3rd Quarter 2005	4th Quarter 2005	1st Quarter 2006	2nd Quarter 2006	3rd Quarter 2006
Paid-In Capital	$22.6	$44.6	$40.5	$43.9	$32.0
Capital Distributed	$33.0	$29.3	$37.7	$30.6	$27.4

Note: Capital Distributed includes recallable returns of capital.

- During the third quarter 2006, the Portfolio paid-in capital totaling $32.0 million and received distributions of $27.4 million.

- Due to the relative youth of the Portfolio, paid-in capital will likely continue to outpace distributions as the underlying partnerships invest capital in underlying portfolio companies.

The chart below shows the cash flows on the Portfolio over the past three years.



	07/01/2003 to 06/30/2004	07/01/2004 to 06/30/2005	07/01/2005 to 06/30/2006
Paid-In Capital	$71.9	$130.1	$151.6
Capital Distributed	$96.3	$97.5	$130.5

- Paid-in capital increased by approximately 111% over the three year period, commensurate with the Portfolio's increase in commitment pace.

- Additionally, distributions have been strong, increasing 35.5% over the period. This is indicative of the more mature partnerships in the Portfolio in their realization period, distributing greater amounts of capital.

Hamilton Lane – Market Update

In mid-August, Ben Bernanke and the U.S. Federal Reserve decided to halt the longest, unbroken stretch of hikes in short-term interest rates. Seeing signs of a slowing economy and a possible slackening in the pace of inflation, the Federal Reserve decided to give at least a temporary reprieve. The mid-August consumer price index and producer price index numbers gave early suggestion that the pause in hiking interest rates might have been the right call, but economists continue to fall on both sides of the debate. Some say that the Federal Reserve is finished raising rates, while others are convinced that further hikes will come as soon as year end.

Big is Big – Large Funds, Large Deals

The buyouts market has been closely watching this debate with great interest, since there are pundits who believe the incredible pace in private equity has been driven in great part by a low interest rate environment. Even after more than 17 straight hikes, interest rates remain reasonably low by historical standards. Four of the five largest leverage buyouts (LBOs) ever done were all announced this year, including BAA plc in June 2006 and Kinder Morgan, Inc. in May 2006. Three-quarters of the buyout volume in the first half 2006 was from transactions that were at least $1.0 billion in size. The activity was capped by the July announcement that Kohlberg Kravis Roberts & Co. (KKR), Bain Capital and Merrill Lynch Global Private Equity were buying out hospital operator HCA Inc. for more than $32 billion. That figure topped the former historical high set by KKR in its $31 billion buyout of RJR Nabisco in October 1989.

Private equity fundraising remains strong, reaching $127.3 billion in the first half of 2006 (versus $216.4 billion during the whole of 2005). Much of that growth came from buyouts, which rose to $63.8 billion in the first half of 2006 from $44.0 billion in first half 2005. Buyouts accounted for 66 percent of U.S. private equity fundraising and 88 percent of European fundraising, according to The Private Equity Analyst. Mega and other well-branded funds continue to take advantage of the strong fundraising environment.

- The Blackstone Group closed a $15.6 billion fund in July; Permira Advisers closed a €10 billion fund in June and Cinven a €6.5 billion fund in June.
- In May, KKR launched a public vehicle on Euronext Amsterdam and raised almost $5.0 billion.
- Carlyle Group's new $1.8 billion Asia ex-Japan fund shows investors remain solidly interested in the region.
- Permira is one firm that believes the larger fund sizes will shrink the number of investors in each club deal.
- Wilbur Ross, ever the contrarian, sold his firm W.L. Ross to Amvesco for up to $375 million (contingent on certain performance incentives).

Deal multiples (total enterprise value over EBITDA) have hovered at levels over 8.0x, yet equity contribution (as a percentage of purchase price) remains over 30 percent (though dividend recapitalization activity remains high). Despite some nervousness over rising purchase and leverage multiples, KKR continues to like the large end of the LBO market, where there are fewer competitors, said Henry Kravis at an August 17 KKR Private Equity Investors, L.P. teleconference. Given the recent spate of large buyouts in the market, investors have been asking KKR what kind of ability the firm has to continue completing transactions. Kravis argues that there are still several reasons for optimism. The market is still providing significant liquidity to transactions. Collateralized Loans Obligations (CLOs), hedge funds, credit funds and other specialized, securitized debt vehicles continue to bring new sources of capital through "broad, new debt markets," he says. Though credit spreads recently have widened somewhat, Kravis says KKR is seeing liquidity for transactions "regardless of size." Additionally, the market is seeing a commensurate adjustment in equity valuation levels to offset rising financing (debt) costs. Finally, as the markets become more anxious, the flight to quality means large, diversified companies will remain appealing to investors.

The Twain Shall Meet – Hedge Fund and Private Equity Convergence

In early August, the news broke that the Carlyle Group was raising a large hedge fund. Hedge fund D.E. Shaw reportedly is interested in raising its private equity profile. Writing in the International Finance Law Review, Matthew Judd of Clifford Chance argues that while hedge funds can have certain advantages in investment flexibility (fewer geographic and sectoral constraints), capital deployment (hedge funds are leveraged at the fund level, rather than at the investment level) and return expectations (as well as more financing options, which often lead to less expensive financing), private equity firms continue to enjoy advantages in their longer investment time horizons and ability "to enhance value and drive growth at the operational level." Hedge fund appetite for second lien loans and other credit paper also continues to keep spreads lower and financing costs down for private equity players.

Going Private

While going private transactions comprised only a little less than 3 percent of M&A in 2000 and 2001; in 2005 it comprised nearly 13 percent. This year's large LBO deals have kept levels near those volumes. Private equity professionals argue that corporate executives continue to get more comfortable with going private transactions. The pressures of having to meet quarter over quarter metrics, sometimes to the detriment of more long-term thinking, and the impact of Sarbanes Oxley disclosure requirements, also have made such transactions attractive.

Building Infrastructure

U.S. public pension fund clients have turned greater attention to how public/private partnerships can be used to finance U.S. infrastructure projects. Part of that discussion touches on whether investments in private equity infrastructure funds might be attractive. Hamilton Lane has been analyzing investment opportunities in the space. Additionally, Hamilton Lane has had meetings with general partners (GPs) looking to raise infrastructure funds. Carlyle, Macquarie, AIG and Clessidra are among those firms pitching funds that would make equity and equity-related investments in infrastructure assets and businesses. While focus on the energy sector remains strong, interest in infrastructure has been expanding beyond that sector to encompass other traditional infrastructure plays in roads, airports, other transport projects, telecommunications and utilities.

Market Statistics

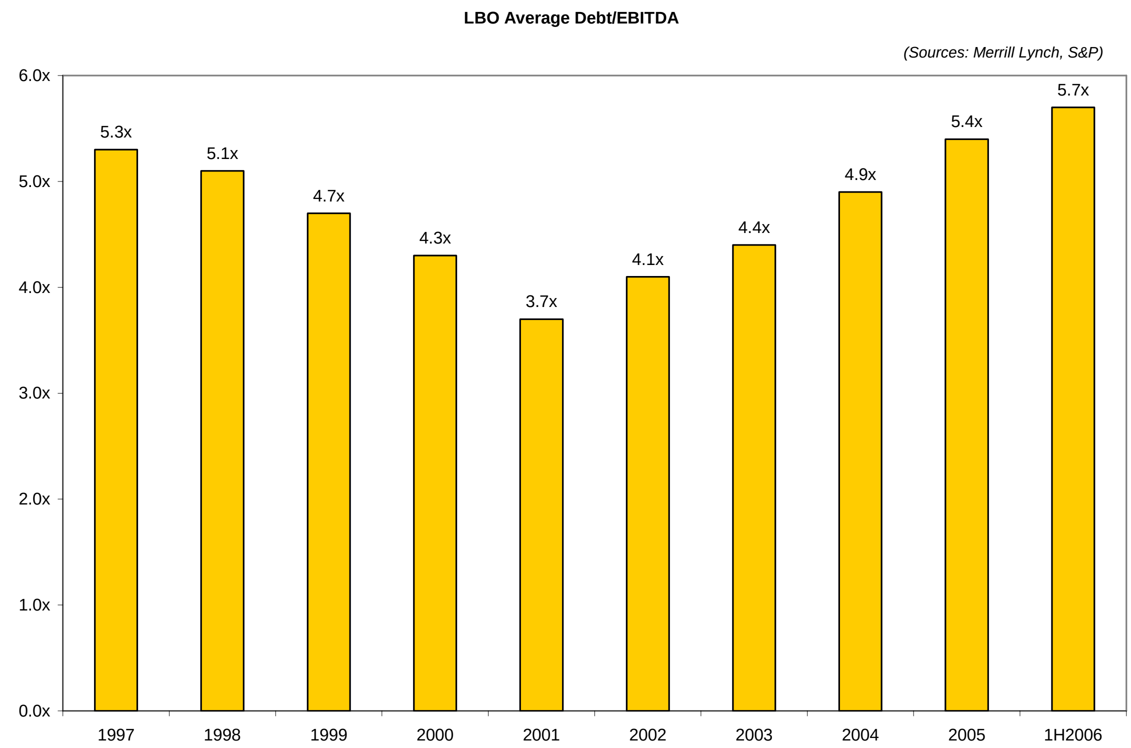
The charts and graphs below present a number of indicative private equity market statistics.

Private Equity Performance
Investment Horizon Performance through March 31, 2006

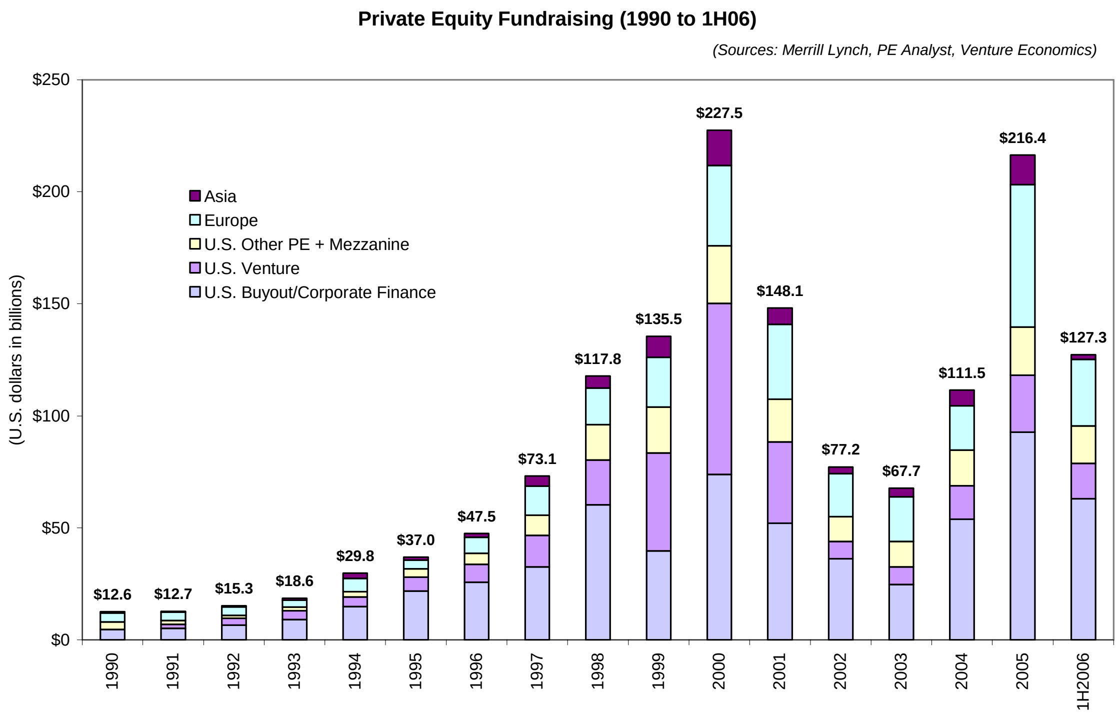
Fund Type	1 Yr	3 Yr	5 Yr	10 Yr	20 Yr
All Venture	19.8%	9.4%	-4.4%	22.7%	-16.5%
All Buyouts	25.5%	17.6%	6.3%	8.9%	13.3%
All Private Equity	22.8%	14.7%	3.0%	11.8%	14.3%
NASDAQ	17.0%	20.4%	4.9%	7.8%	10.1%
S&P 500	9.7%	15.1%	2.2%	7.2%	12.1%

Source: Thomson Financial

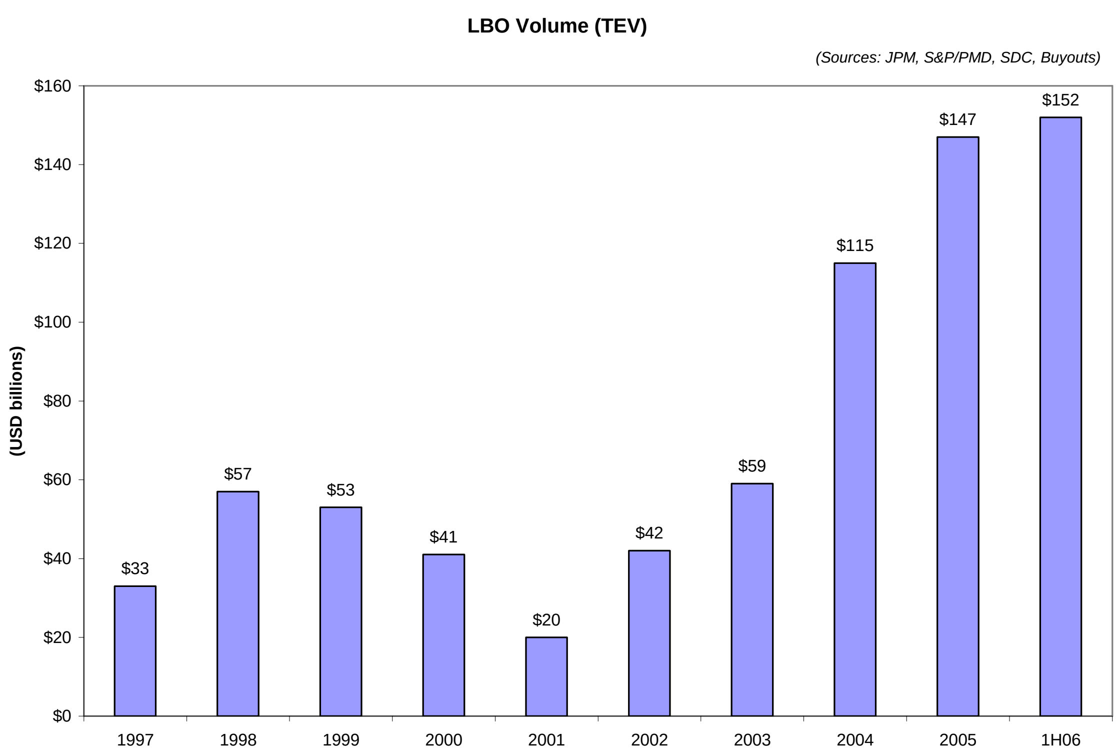
One-year and three-year horizon returns of buyouts (25.5 percent and 17.6 percent, respectively) help explain why interest in the sector is high. Venture capital returns were up to 19.8 percent for the one-year horizon versus 13.3 percent in Q4-2005. Five-year returns remain negative, reflecting the continued impact from the bursting of the dot.com bubble.



Though interest rates have started climbing, the financing environment still remains favorable to buyouts. Leverage multiples continue to climb, though equity contributions as a percentage of funding sources remains above 30 percent, well above 1980s levels.



Private equity fundraising is still being driven largely by interest in buyouts. Fundraising is on pace to break last year's $216.4 billion raised.



Five Largest Buyouts

Target Company	Country of Origin	Size (*)	Announcement Date
HCA	United States	$32	July 2006
RJR Nabisco	United States	$31	October 1989
BAA	United Kingdom	$29	June 2006
Kinder Morgan	United States	$22	May 2006
Albertsons	United States	$17	January 2006

Sources: New York Times, Dow Jones, Bloomberg

(*) Includes assumption of debt

Four of the five largest buyouts ever done were executed this year. The rise of "mega" buyouts and an attractive financing environment continues to favor large buyout transactions. The HCA transaction finally took RJR Nabisco's place as the largest buyout ever completed.

SECTION 2

PORTFOLIO ASSESSMENT

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PERFORMANCE SUMMARY BY INVESTMENT
AS OF JUNE 30, 2006

INVESTMENT NAME	VINTAGE YEAR	INVESTMENT STRATEGY	CAPITAL COMMITTED	PAID-IN CAPITAL	CAPITAL DISTRIBUTED (1)	REPORTED MARKET VALUE	NET IRR
Alchemy Investment Plan (LACERS)	1999	Special Situation	$ 42,348,753	$ 31,435,541	$ 20,439,426	$ 29,237,757	17.67%
Apollo Investment Fund IV, L.P.	1998	Corporate Finance/Buyout	5,000,000	4,962,140	4,694,410	3,293,944	9.40%
Apollo Investment Fund VI, L.P.	2006	Corporate Finance/Buyout	15,000,000	112,535	-	41,588	(63.04%)
Austin Ventures VII, L.P.	1999	Venture Capital	17,000,000	15,969,701	3,606,369	8,529,948	(7.33%)
Austin Ventures VIII, L.P.	2001	Venture Capital	8,300,000	6,450,000	1,023,965	4,976,702	(3.44%)
Avenue Special Situations Fund IV, L.P.	2006	Special Situation	10,000,000	5,937,360	-	6,071,008	3.65%
Blackstone Capital Partners V, L.P.	2006	Corporate Finance/Buyout	15,000,000	1,724,997	-	1,487,630	(74.99%)
Carlyle Partners IV, L.P.	2005	Corporate Finance/Buyout	20,000,000	8,639,225	-	8,313,470	(8.76%)
CGW Southeast Partners III, L.P.	1996	Corporate Finance/Buyout	9,000,000	8,645,139	10,743,140	1,157,841	6.30%
CGW Southeast Partners IV, L.P.	1999	Corporate Finance/Buyout	10,000,000	8,536,566	3,266,353	4,747,192	(1.53%)
Charterhouse Capital Partners VIII, L.P.	2006	Corporate Finance/Buyout	20,442,928	98,760	-	90,879	(7.98%)
Chisholm Partners IV, L.P.	1999	Special Situation	9,000,000	8,405,623	1,800,630	4,577,270	(5.33%)
CHS Private Equity V, L.P.	2005	Corporate Finance/Buyout	20,000,000	2,411,124	-	2,321,275	(5.93%)
CVC European Equity Partners II, L.P.	1998	Corporate Finance/Buyout	10,000,000	9,138,376	15,906,058	4,359,286	19.30%
CVC European Equity Partners III, L.P.	2001	Corporate Finance/Buyout	15,000,000	13,865,348	13,233,996	15,092,826	39.97%
CVC European Equity Partners IV, L.P.	2005	Corporate Finance/Buyout	25,125,635	6,896,265	-	6,731,775	(3.56%)
CVC European Equity Partners, LP	1996	Corporate Finance/Buyout	10,000,000	9,736,644	24,044,626	2,838,137	24.34%
Enhanced Equity Fund, L.P.	2006	Corporate Finance/Buyout	10,000,000	708,268	-	541,832	(56.83%)
Essex Woodlands Health Ventures Fund IV, L.P.	1998	Venture Capital	4,000,000	4,000,000	4,320,522	1,515,615	11.25%
Essex Woodlands Health Ventures Fund V, L.P.	2000	Venture Capital	10,000,000	8,100,000	3,140,972	8,268,168	11.76%
Essex Woodlands Health Ventures Fund VI, L.P.	2004	Venture Capital	15,000,000	8,325,000	-	7,335,652	(13.23%)
First Reserve Fund X, L.P.	2004	Special Situation	20,000,000	13,524,893	6,049,710	14,440,000	74.71%
Golder, Thoma, Cressey & Rauner Fund IX, L.P.	2006	Corporate Finance/Buyout	15,000,000	-	-	-	N/A
Golder, Thoma, Cressey & Rauner Fund V, LP (2)	1997	Corporate Finance/Buyout	10,000,000	10,000,000	14,161,181	3,249,709	10.67%
Golder, Thoma, Cressey & Rauner Fund VI, L.P. (2)	1998	Corporate Finance/Buyout	10,000,000	10,000,000	7,657,570	3,411,348	3.45%
Golder, Thoma, Cressey & Rauner Fund VII, L.P. (2)	2000	Corporate Finance/Buyout	18,750,000	17,859,375	19,584,639	13,416,028	18.61%
Golder, Thoma, Cressey & Rauner Fund VII-A, L.P. (2)	2001	Corporate Finance/Buyout	6,250,000	3,546,875	4,633,809	3,698,599	82.96%
Golder, Thoma, Cressey & Rauner Fund VIII, L.P.	2003	Corporate Finance/Buyout	20,000,000	15,400,000	4,687,332	13,645,333	20.54%
Halifax Capital Partners II, L.P.	2006	Corporate Finance/Buyout	10,000,000	975,079	-	652,240	(33.11%)
Hellman & Friedman Capital Partners V, L.P.	2004	Corporate Finance/Buyout	11,000,000	6,476,878	348,961	6,439,676	9.53%
InterWest Partners VI, L.P.	1997	Venture Capital	5,000,000	5,000,000	13,785,589	501,063	48.95%
J.H. Whitney IV, L.P. (2)	2000	Venture Capital	25,000,000	22,448,463	3,069,590	2,530,519	(26.08%)
J.H. Whitney VI, L.P.	2005	Corporate Finance/Buyout	15,000,000	3,333,724	-	3,156,059	(6.15%)
Kelso Investment Associates VI, L.P.	1998	Corporate Finance/Buyout	5,000,000	4,298,360	4,384,179	1,563,728	10.36%
Kelso Investment Associates VII, L.P.	2004	Corporate Finance/Buyout	18,000,000	7,385,831	486,614	9,273,859	32.34%
KKR 1996 Fund, LP	1997	Corporate Finance/Buyout	25,000,000	26,253,883	36,852,855	7,665,399	13.33%

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KKR European Fund II, L.P.	2005	Corporate Finance/Buyout	15,000,000	3,030,155	1,020	2,942,746	(3.49%)
Levine Leichtman Capital Partners III, L.P.	2003	Corporate Finance/Buyout	20,000,000	11,047,923	2,446,255	9,921,953	22.66%
Madison Dearborn Capital Partners III, L.P.	1999	Corporate Finance/Buyout	16,000,000	15,854,153	12,966,304	10,506,355	9.00%
Madison Dearborn Capital Partners IV, L.P.	2000	Corporate Finance/Buyout	25,000,000	21,178,825	7,193,540	22,952,669	21.60%
Menlo Ventures IX, L.P.	2001	Venture Capital	20,000,000	15,000,000	414,350	12,646,969	(5.15%)
Menlo Ventures VII, L.P.	1997	Venture Capital	5,000,000	5,000,000	22,728,937	925,747	135.82%
Menlo Ventures VIII, L.P.	1999	Venture Capital	18,000,000	16,200,000	4,853,535	2,226,576	(19.89%)
Nautic Partners V, L.P.	2000	Corporate Finance/Buyout	15,000,000	13,072,687	6,224,370	11,795,917	15.14%
Newbridge Asia IV, L.P.	2005	Corporate Finance/Buyout	10,000,000	3,842,674	1,207	4,015,919	7.59%
Nordic Capital V, L.P.	2004	Corporate Finance/Buyout	13,949,653	13,555,057	4,462,534	14,282,535	30.22%
Oak Investment Partners XII, L.P.	2006	Venture Capital	15,000,000	-	-	-	N/A
OCM Opportunities Fund II, L.P.	1998	Special Situation	11,000,000	11,000,000	15,037,484	1,377,725	8.34%
OCM Opportunities Fund III, L.P.	1999	Special Situation	10,000,000	10,500,000	14,186,337	1,023,044	11.82%
OCM Opportunities Fund IV, L.P.	2001	Special Situation	10,000,000	10,000,000	15,519,771	597,905	28.10%
OCM Opportunities Fund V, L.P.	2004	Special Situation	7,100,000	7,100,000	7,781	9,318,807	19.40%
OCM Opportunities Fund, LP	1996	Special Situation	11,000,000	11,000,000	15,849,547	1,680,083	10.02%
Olympus Growth Fund IV, L.P.	2003	Corporate Finance/Buyout	7,000,000	3,894,028	53,194	4,060,661	3.84%
Onex Partners, L.P.	2003	Corporate Finance/Buyout	20,000,000	13,908,555	3,920,143	13,129,076	19.99%
Permira Europe III, L.P.	2004	Corporate Finance/Buyout	20,938,888	12,627,076	5,637,539	11,130,688	34.98%
Pharos Capital Partners II-A, L.P.	2006	Special Situation	5,000,000	1,525,000	-	1,238,826	(23.23%)
Polaris Venture Partners V, L.P.	2006	Venture Capital	15,000,000	-	-	-	N/A
Providence Equity Partners V-A L.P.	2005	Corporate Finance/Buyout	18,000,000	10,615,823	-	10,577,653	(0.63%)
Resolute Fund, L.P.	2002	Corporate Finance/Buyout	20,000,000	10,970,277	507,811	12,432,161	11.00%
Richland Ventures III, L.P.	1999	Venture Capital	18,000,000	16,974,000	4,411,608	6,493,733	(9.81%)
Spark Capital, L.P.	2005	Venture Capital	9,000,000	1,575,000	747,998	1,093,444	26.58%
TA X, L.P.	2006	Corporate Finance/Buyout	6,000,000	210,000	-	205,587	(2.10%)
TCV V, L.P.	2004	Venture Capital	19,500,000	14,599,650	43,333	15,352,434	3.84%
Thoma Cressey Fund VI, L.P.	1998	Corporate Finance/Buyout	5,000,000	4,845,000	1,237,072	2,382,238	(5.44%)
Thomas H. Lee Equity Fund IV, L.P.	1998	Corporate Finance/Buyout	7,000,000	6,294,569	4,924,033	1,599,203	0.65%
Thomas H. Lee Equity Fund V, L.P.	2001	Corporate Finance/Buyout	15,000,000	13,925,458	7,832,362	15,825,873	27.95%
TPG Partners III, L.P.	2000	Corporate Finance/Buyout	25,000,000	22,862,872	29,779,864	17,830,263	25.39%
TPG Partners IV, L.P.	2003	Corporate Finance/Buyout	25,000,000	18,852,062	6,804,959	18,730,753	33.80%
TPG Partners V, L.P.	2006	Corporate Finance/Buyout	30,000,000	262,976	-	262,974	0.00%
Trident Capital Fund V, L.P.	2000	Venture Capital	10,587,999	7,606,752	2,636,592	5,367,306	1.87%
Trident Capital Fund V, L.P. - Secondary	1999	Venture Capital	3,781,680	2,316,434	920,685	1,917,020	11.70%
Trident Capital Fund VI, L.P.	2005	Venture Capital	8,500,000	2,635,000	264,177	2,054,252	(12.68%)

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PERFORMANCE SUMMARY BY INVESTMENT
AS OF JUNE 30, 2006

INVESTMENT NAME	VINTAGE YEAR	INVESTMENT STRATEGY	CAPITAL COMMITTED	PAID-IN CAPITAL	CAPITAL DISTRIBUTED [1]	REPORTED MARKET VALUE	NET IRR
VantagePoint Venture Partners IV, L.P.	2000	Venture Capital	15,000,000	12,750,000	3,809,075	9,790,524	2.93%
Vestar Capital Partners IV, L.P.	1999	Corporate Finance/Buyout	17,000,000	15,381,699	8,823,294	10,674,800	10.27%
Welsh, Carson, Anderson & Stowe IX, L.P.	2000	Corporate Finance/Buyout	15,000,000	13,950,000	7,054,398	13,393,251	14.38%
Welsh, Carson, Anderson & Stowe VII, LP	1995	Corporate Finance/Buyout	15,000,000	15,000,000	28,177,380	3,521,484	17.68%
Welsh, Carson, Anderson & Stowe VIII, L.P.	1998	Corporate Finance/Buyout	15,000,000	15,000,000	4,796,738	11,332,059	1.17%
Weston Presidio Capital IV, L.P.	2000	Corporate Finance/Buyout	15,000,000	13,149,751	4,911,283	8,302,990	0.22%
Weston Presidio Capital IV, L.P. - Secondary	1999	Corporate Finance/Buyout	2,826,000	2,444,176	995,518	1,683,002	6.28%
Whitney V, L.P.	2001	Corporate Finance/Buyout	10,000,000	9,672,845	6,961,406	12,150,210	29.29%
TOTAL PORTFOLIO:			**$ 1,129,401,535**	**$ 741,832,447**	**$ 479,065,927**	**$ 523,920,770**	**11.66%**

[1] Capital distributed includes recallable returns of capital, which will increase the unfunded commitment.

[2] An adjusted valuation was used for this investment due to the unavailability of the financial statement from the general partner at the time of completion of this report. The adjusted market value is based on the March 31, 2006, reported market value plus net 2nd quarter 2006 cash flow activity.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PERFORMANCE SUMMARY BY CATEGORY
AS OF JUNE 30, 2006

	CAPITAL COMMITTED	PAID-IN CAPITAL	PERCENTAGE CONTRIBUTED	CAPITAL DISTRIBUTED [1]	PERCENTAGE DISTRIBUTED	REPORTED MARKET VALUE	NET IRR
Investment Strategy							
Corporate Finance/Buyout	$ 752,283,103	$ 466,454,031	62.01%	$ 320,397,945	68.69%	$ 362,832,673	14.46%
Special Situation	135,448,753	110,428,416	81.53%	88,890,685	80.50%	69,562,425	12.45%
Venture Capital	241,669,679	164,950,000	68.25%	69,777,297	42.30%	91,525,672	(0.96%)
TOTAL PORTFOLIO:	**$ 1,129,401,535**	**$ 741,832,447**	**65.68%**	**$ 479,065,927**	**64.58%**	**$ 523,920,770**	**11.66%**
Vintage Year							
1995	$ 15,000,000	$ 15,000,000	100.00%	$ 28,177,380	187.85%	$ 3,521,484	17.68%
1996	30,000,000	29,381,782	97.94%	50,637,313	172.34%	5,676,061	14.15%
1997	45,000,000	46,253,883	102.79%	87,528,561	189.24%	12,341,918	25.96%
1998	72,000,000	69,538,445	96.58%	62,958,065	90.54%	30,835,146	6.55%
1999	163,956,433	144,017,893	87.84%	76,270,060	52.96%	81,616,696	2.62%
2000	174,337,999	152,978,724	87.75%	87,404,322	57.13%	113,647,635	9.43%
2001	84,550,000	72,460,526	85.70%	49,619,659	68.48%	64,989,084	23.04%
2002	20,000,000	10,970,277	54.85%	507,811	4.63%	12,432,161	11.00%
2003	92,000,000	63,102,567	68.59%	17,911,883	28.39%	59,487,776	23.28%
2004	125,488,540	83,594,385	66.62%	17,036,472	20.38%	87,573,651	23.60%
2005	140,625,635	42,978,990	30.56%	1,014,402	2.36%	41,206,593	(3.48%)
2006	166,442,928	11,554,975	6.94%	-	0.00%	10,592,564	(23.26%)
TOTAL PORTFOLIO:	**$ 1,129,401,535**	**$ 741,832,447**	**65.68%**	**$ 479,065,927**	**64.58%**	**$ 523,920,770**	**11.66%**

[1] *Capital distributed includes recallable returns of capital, which will increase the unfunded commitment.*

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PRIVATE EQUITY BENCHMARKS
AS OF JUNE 30, 2006

CORPORATE FINANCE/BUYOUT NORTH AMERICA

VINTAGE YEAR	NET IRR	POOLED AVG IRR (1)
1995	17.68%	8.20%
1996	6.30%	5.20%
1997	12.40%	8.70%
1998	2.52%	2.10%
1999	7.06%	8.60%
2000	18.56%	11.10%
2001	32.71%	18.40%
2002	11.00%	11.00%
2003	23.28%	37.30%
2004	25.43%	5.90%
2005	(5.16%)	(8.00%)
2006	(70.51%)	N/A

SPECIAL SITUATION NORTH AMERICA

VINTAGE YEAR	NET IRR	POOLED AVG IRR (1)
1995	N/A	20.60%
1996	10.02%	24.40%
1997	N/A	13.80%
1998	8.34%	6.40%
1999	3.54%	1.30%
2000	N/A	4.30%
2001	28.10%	12.40%
2002	N/A	11.70%
2003	N/A	28.90%
2004	43.67%	5.60%
2005	N/A	(8.10%)
2006	(3.22%)	N/A

VENTURE CAPITAL NORTH AMERICA

VINTAGE YEAR	NET IRR	POOLED AVG IRR (1)
1995	N/A	61.20%
1996	N/A	83.80%
1997	90.90%	51.20%
1998	11.25%	21.70%
1999	(10.93%)	(8.50%)
2000	(7.40%)	(2.20%)
2001	(4.70%)	N/A
2002	N/A	(1.90%)
2003	N/A	(2.10%)
2004	(0.69%)	0.70%
2005	(1.65%)	(10.20%)
2006	N/A	N/A

(1) Source: Venture Economics, 03/31/2006 Benchmarks. The benchmarks reflect pooled average returns from the vintage year to the latest available reported date in Venture Economics.

N/A - No investments made in the specified vintage year in the defined investment strategy.

Note: Newbridge Asia IV, L.P. is not included in this analysis because there is no relevant benchmark available for this investment at this time.

Note: TPG Partners V, L.P. is not included in this analysis because there is no relevant benchmark available for this investment at this time.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PRIVATE EQUITY BENCHMARKS
AS OF JUNE 30, 2006

CORPORATE FINANCE/BUYOUT WESTERN EUROPE

VINTAGE YEAR	NET IRR	POOLED AVG IRR [1]
1995	N/A	37.00%
1996	24.34%	18.20%
1997	N/A	10.90%
1998	19.30%	5.60%
1999	N/A	3.70%
2000	N/A	12.80%
2001	39.97%	15.60%
2002	N/A	3.00%
2003	N/A	28.80%
2004	32.18%	(5.90%)
2005	(3.93%)	(16.20%)
2006	(7.98%)	N/A

SPECIAL SITUATION WESTERN EUROPE

VINTAGE YEAR	NET IRR	POOLED AVG IRR [1]
1995	N/A	34.80%
1996	N/A	16.80%
1997	N/A	8.50%
1998	N/A	4.80%
1999	17.67%	1.50%
2000	N/A	5.30%
2001	N/A	10.50%
2002	N/A	10.10%
2003	N/A	17.80%
2004	N/A	(7.10%)
2005	N/A	(16.20%)
2006	N/A	N/A

[1] Source: Venture Economics, 03/31/2006 Benchmarks. The benchmarks reflect pooled average returns from the vintage year to the latest available reported date in Venture Economics.

N/A - No investments made in the specified vintage year in the defined investment strategy.

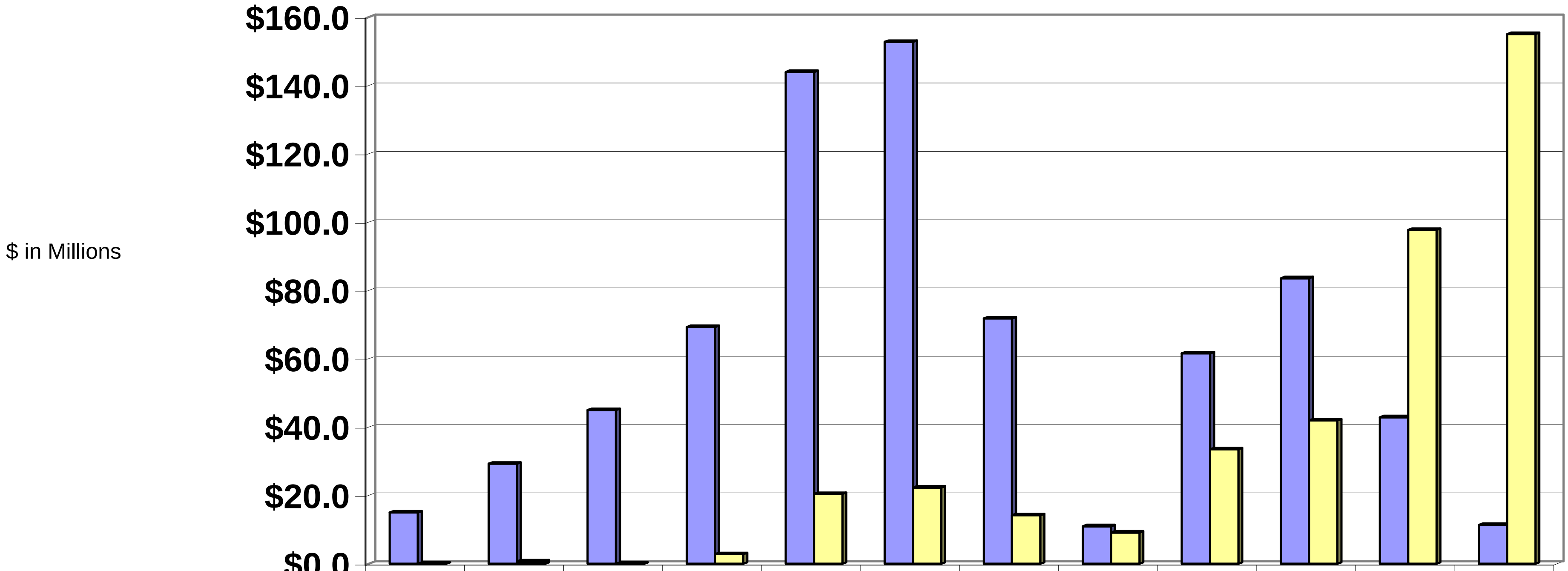
Note: Newbridge Asia IV, L.P. is not included in this analysis because there is no relevant benchmark available for this investment at this time.

Note: TPG Partners V, L.P. is not included in this analysis because there is no relevant benchmark available for this investment at this time.

SECTION 3

PORTFOLIO ANALYTICS

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
COMMITMENTS BY VINTAGE YEAR
AS OF JUNE 30, 2006

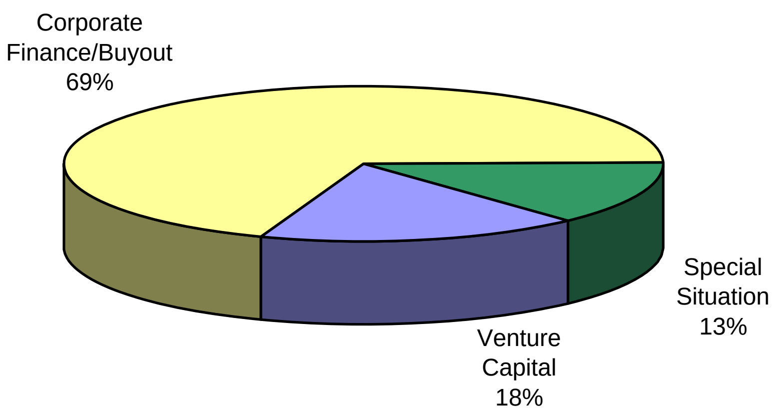


	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Funded Commitments*	$15.0	$29.3	$45.0	$69.3	$144.0	$152.8	$71.8	$11.0	$61.6	$83.6	$42.9	$11.4
Unfunded Commitments**	$0.0	$0.7	$0.0	$2.8	$20.4	$22.3	$14.2	$9.2	$33.5	$42.0	$97.7	$155.1

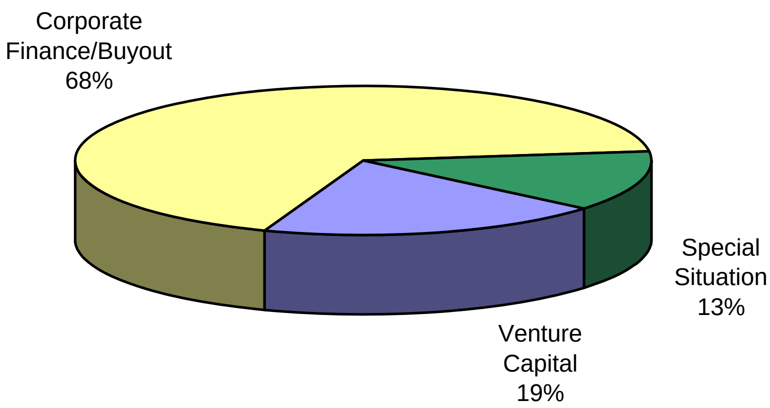
**Funded Commitments exclude additional fees.*
***Unfunded Commitments include recallable returns of capital.*

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PORTFOLIO STRATEGIC DIVERSIFICATION
AS MEASURED BY REPORTED MARKET VALUE

As of June 30, 2006

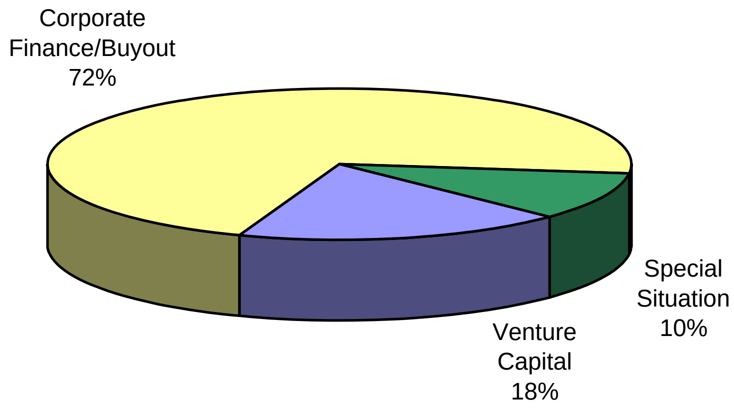


As of June 30, 2005

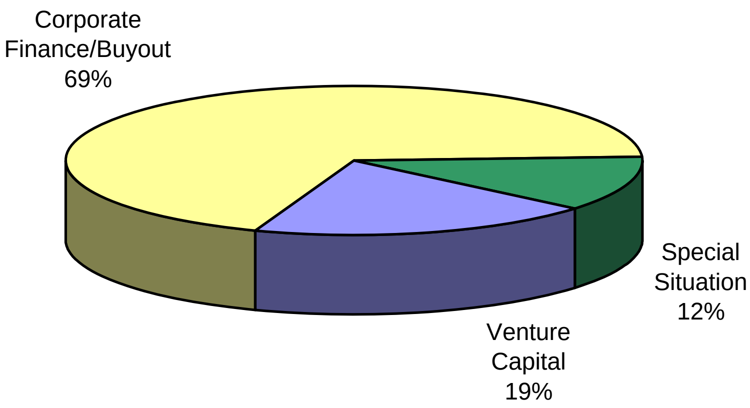


LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PORTFOLIO STRATEGIC DIVERSIFICATION
AS MEASURED BY TOTAL EXPOSURE

As of June 30, 2006



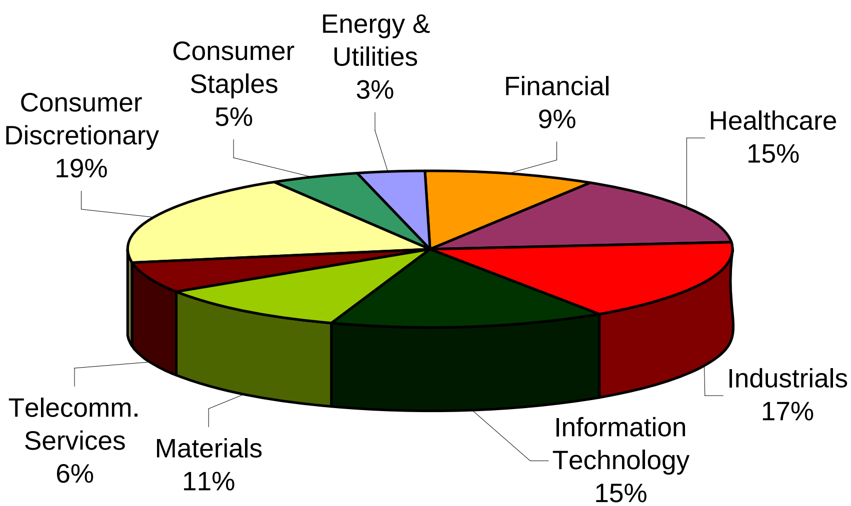
As of June 30, 2005



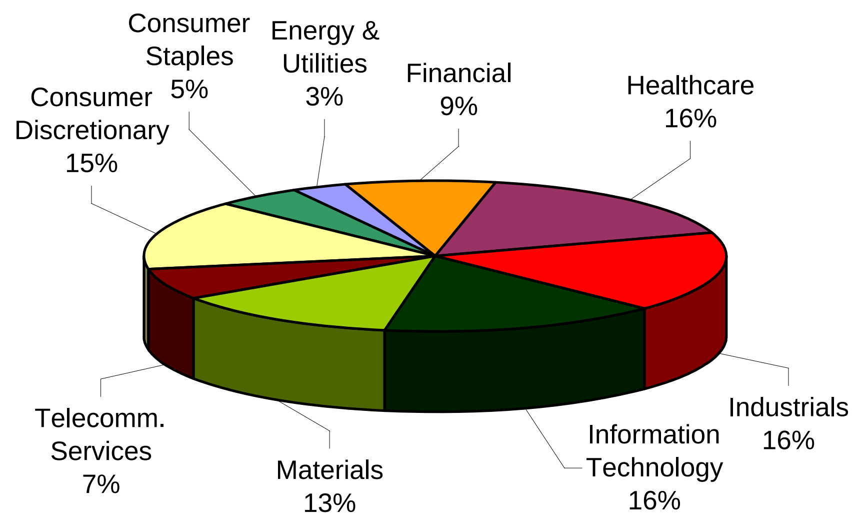
Note: Based on reported market values provided by the general partners.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
UNDERLYING INVESTMENT DIVERSIFICATION
BY INDUSTRY CLASSIFICATION

As of June 30, 2006

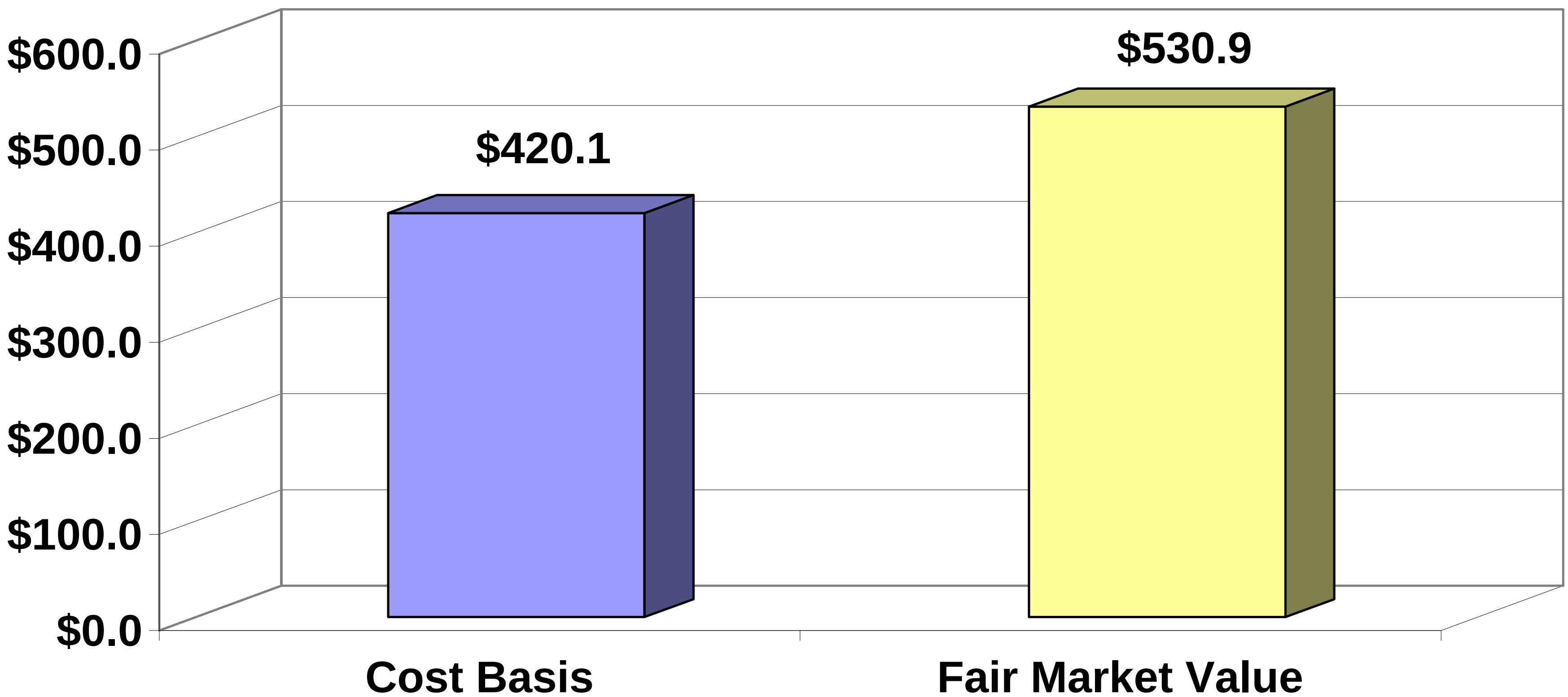


As of June 30, 2005



Note: Based on reported market values provided by the general partners.

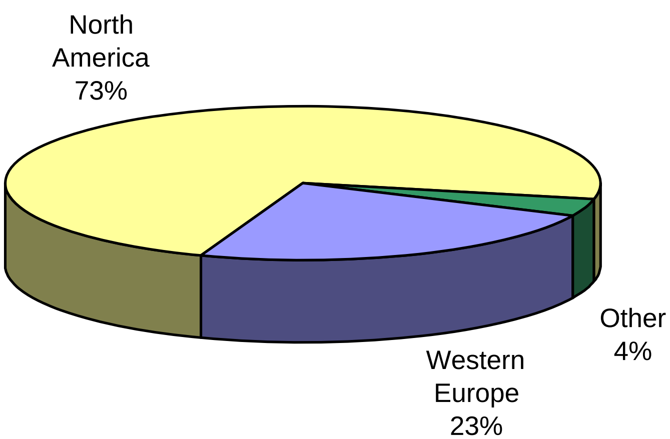
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
COST AND FAIR MARKET VALUE
(EXPOSED MARKET VALUE) OF PORTFOLIO HOLDINGS
AS OF JUNE 30, 2006



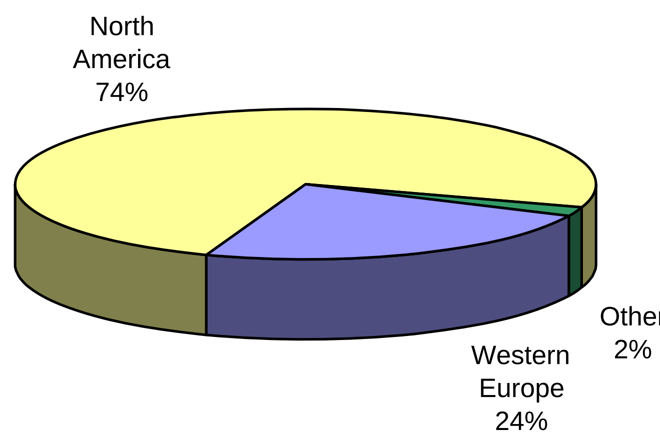
Note: Based on the reported market values provided by the general partners.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
UNDERLYING INVESTMENT DIVERSIFICATION
BY GEOGRAPHIC LOCATION

As of June 30, 2006

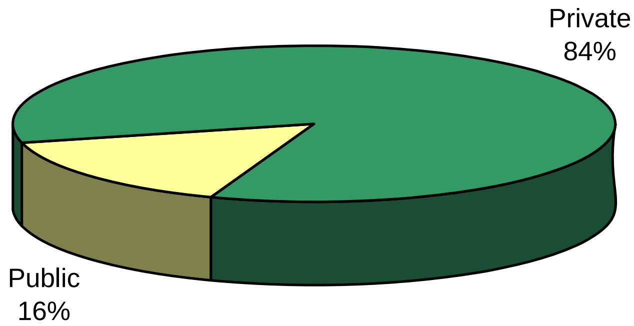


As of June 30, 2005

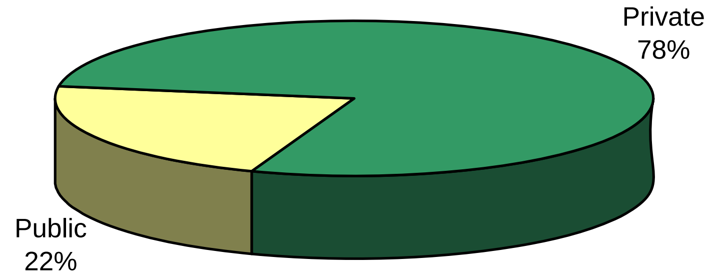


LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PUBLIC VS. PRIVATE HOLDINGS
AS OF JUNE 30, 2006

Based on Number of Companies



Based on Reported Market Value



Note: Based on reported market values provided by the general partners.

APPENDIX A

GLOSSARY OF TERMS

GLOSSARY OF TERMS

ADDITIONAL FEES: The amount of capital an investor pays into a fund/investment that does not count against the investors' commitment. Additional fees typically consist of management fees or late-closing interest expense.

CAPITAL COMMITTED: An investor's financial obligation to provide a set amount of capital to the investment.

CAPITAL CONTRIBUTED: Capital contributed from an investor's capital commitment to fund partnership investments, organizational expenses and management fees.

CAPITAL DISTRIBUTED: Cash or stock disbursed to the investors of an investment.

CO/DIRECT INVESTMENT: A direct investment is a purchased interest of an operating company. A co-investment is a direct investment made alongside a partnership.

CORPORATE FINANCE/BUYOUT: Funds seeking to make controlling and non-controlling investments in established companies which have the potential to achieve greater value through improved performance.

COST BASIS: Capital contributions less return of principal.

FUND-OF-FUNDS: An investment vehicle which invests in other private equity partnerships.

FUND/INVESTMENT SIZE: The total amount of capital committed by investors to a fund.

INVESTMENT CATEGORY: Used to identify investments in one of the following categories: co/direct investments, fund-of-funds, primary funds, secondary fund-of-funds or secondary purchases.

INVESTMENT STRATEGY: A sub-classification of a partnership's investment type, such as Co/Direct Investment, Corporate Finance/Buyout, Mezzanine, Real Estate, Special Situation, Venture Capital.

LIFE CYCLE PERIOD: The current stage of a partnership depending on the percentage contributed to date. Life cycle periods are investment and realization.

MEZZANINE: An investment strategy involving the purchase of subordinated debt. These securities exist between the senior debt and equity of a holding's capital structure. Subordinated debt carries a lower level of risk than pure equity structures becaus

NET INTERNAL RATE OF RETURN ("IRR"): The discount rate that equates the net present value of the partnership's cash outflows with its inflows and residual value at the time of calculation. The calculation is net of management fees and the general partner

ORIGINATOR: The institution responsible for recommending a client commit to an investment.

GLOSSARY OF TERMS

OWNERSHIP PERCENTAGE: The investor's percent of ownership as measured by capital committed divided by fund/investment size.

PAID-IN CAPITAL: The amount of capital an investor has contributed to a partnership, which includes capital contributions and additional fees.

POOLED AVERAGE IRR: An IRR calculation which aggregates cash flows (paid-in capital and capital distributed) and the reported market values of each investment within a portfolio to create one portfolio investmen and return.

PORTFOLIO HOLDING EXPOSURE: The limited partner's pro rata allocation to an underlying investment based on the its ownership percentage of the partnership.

PRIMARY FUND: Defines when the investor acquired an interest in the partnership. Primary fund is the investment category when an investor participates in a closing at the inception of the partnership.

PRIVATE EQUITY PARTNERSHIP: A professionally managed pool of capital that generally invests in unlisted companies or securities. Common investment strategies include corporate finance/buyout, mezzanine, special situations and venture capital.

REALIZED MULTIPLE: Ratio of cumulative distributions to paid-in capital.

RETURN ON INVESTMENT ("ROI"): A calculation based on the total value (market value plus distributions) divided by paid-in capital for an investment.

REPORTED MARKET VALUE: The investment's capital account balance at quarter end, which includes the general partner's reported value of the underlying holdings and other assets and liabilities.

SECONDARY FUND-OF-FUNDS: A private equity vehicle formed to purchase active partnership interests from an investor.

SECONDARY PURCHASE: A purchase of an existing partnership interest or pool of partnership interests from an investor.

SPECIAL SITUATION: Partnerships that invest using a unique strategy. Examples include distressed and turnaround, industry focused and multi-stage partnerships.

TOTAL EXPOSURE: Calculated by the summation of market value and unfunded commitments.

VENTURE CAPITAL: An investment strategy that provides start-up or growth capital to companies in the early stages of development. Venture investments generally involve a greater degree of risk, but have the potential for higher returns.

VINTAGE YEAR: The year in which a partnership makes its first capital call for an investment into a portfolio company/holding.

APPENDIX B

DISCLOSURE STATEMENTS

DISCLOSURE STATEMENTS

Non-public information contained in this report is confidential and intended solely for dissemination to Los Angeles City Employees' Retirement System and/or its Affiliates. Hamilton Lane has prepared this report to enable Los Angeles City Employees' Retirement System and/or its Affiliates to assess the performance and status of its alternative investment portfolio. Hamilton Lane hereby disclaims any liability resulting from any unauthorized dissemination of the attached information.

The information contained in this report may include forward-looking statements regarding the funds presented or their portfolio companies. Forward-looking statements include a number of risks, uncertainties and other factors beyond the control of the funds or the portfolio companies, which may result in material differences in actual results, performance or other expectations. The information presented is not a complete analysis of every material fact concerning each fund or each company. The opinions, estimates and analyses reflect our current judgment, which may change in the future.

The past performance information contained in this report is not necessarily indicative of future results and there is no assurance that the funds will achieve comparable results or that they will be able to implement their investment strategy or achieve their investment objectives. The actual realized value of currently unrealized investments will depend on a variety of factors, including future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which the current unrealized valuations are based.

Any tables, graphs or charts relating to past performance included in this report are intended only to illustrate the performance of the funds or the portfolio companies referred to for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.